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1351

3 January 1973

MEMORANDUM FOR: Chief, Western Hemisphere Division  
SUBJECT: Economic Justification for Additional Funds for 4 March Congressional Elections in Chile

1. Although it would be helpful to be able to base a request for additional election funds on unforeseeable economic deterioration in Chile, [REDACTED] is unable to come up with purely economic statistics which would justify an addition to the \$1,427,666 approved on 26 October 1972 for the pre-election period beginning on 1 November 1972.

2. Discussions with [REDACTED] experts confirm that economic conditions in Chile have improved since November in comparison with preceding months. The rate of inflation during November and December was 20%, but this is relatively low; low especially in comparison with inflation rates in September and October, but low even in terms of the inflation rate for all of 1972, which was over 150%. Some key electoral budget items, such as newsprint, actually cost less comparatively, since the government has refused to grant companies like Papelera the price increases they have requested.

3. During November and December there have also been fewer shortages of basic commodities, especially foodstuffs. These conditions are expected to prevail through February-March, which is harvest season in Chile; food supplies will be at their most plentiful and the summer doldrums normally produce a slack in consumer demand.

4. There are two economic areas where some increased electoral costs can be justified. First, the government has

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raised the price of automobiles, auto licenses and gasoline. As a result of the excessive increase in the cost of new vehicles, rental prices have become exorbitant and car owners are reluctant to lend their cars for campaign use. This increase in transportation costs far exceeds the overall inflation rate and could not have been foreseen by campaign planners. Second, the black market rate has leveled off at between 280 to 285 escudos to the dollar for large amounts (more for smaller ones), while budgets submitted by the Station in October were calculated at 300 escudos to the dollar. This has produced a shortfall in escudos which could not have been predicted, since the stabilization of the black market rate surprised all economic observers.

5. The economic factors described in paragraph 4 above, as well as any other economic data which the Station may provide, can and should be used to bolster a plea for additional election funds. It would appear, however, that these economic data should be presented only in a specific electoral context and in conjunction with other factors [REDACTED]

[REDACTED] which could not have been foreseen in October. A memorandum on overall "economic deterioration" since October 1972 appears unlikely to lay a firm groundwork for a future request for funds. Economic conditions in Chile are deteriorating, but since the overall rate of deterioration has been slower in November and December than in earlier months, the Station as well as the political parties should theoretically have programmed for it.

[REDACTED]  
[REDACTED]  
(3 January 1972)

Distribution:

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